

WR-MOMENTUS

7/6/96

TO: BRUCE REED
FROM: MICKEY KAUS

A SLOGAN FOR YOU:

"GIVE WORK
A CHANCE"

Cheers

M

WR - MOMENTOS

Assessing Participation in WORK Beyond 2 Years

A. Individual Assessments After 2 WORK Assignments

At the end of two consecutive WORK assignments, participants who have not found unsubsidized work would be assessed on an individual basis with three possible results:

- 1) Participants determined to be unable to work or to need additional training would be reassigned to Pre-JOBS or JOBS.
- 2) Those determined to be unable to find work in the private sector either because there were no jobs available to match their skills or because they are incapable of working outside a sheltered environment would be allowed to remain in the WORK program for another assignment. Similar assessments would be conducted following each additional assignment.
- 3) At state option, those who are employable and who live in an area where there are jobs available to match their skills, may be required to engage in intensive job search supervised by a job developer who can require participants to apply for appropriate job openings to determine if they have failed to make a good faith effort to find jobs. Failure to follow-up on referrals, noncooperation with the job developer or employer, or refusal to accept a private sector job opening without good cause would result in ineligibility for WORK or AFDC benefits for 6 months. After 6 months of ineligibility, the person could immediately be given another individual work assignment and could again be denied eligibility for noncooperation or refusal to accept a job.

B. National Study of WORK Participation Beyond 2 Years

The Department of HHS and Labor will undertake a comprehensive national study at the end of the second year in which the WORK program is implemented to measure the program's success in moving people into unsubsidized jobs, and evaluate the skill levels and barriers to work of the people, who remain in the program after 2 years.

Britain Plans New Effort To Whittle Welfare Rolls

By SARAH LYALL

LONDON, Feb. 10 — In a new effort to attack what he called the "something-for-nothing welfare state," Prime Minister Tony Blair introduced legislation today that would require most of Britain's welfare recipients to attend regular interviews to discuss job opportunities. People who failed to comply, he said, would lose their benefits.

The plan is one in a series of measures Mr. Blair's Labor Government has taken in the last year and a half to reduce Britain's \$157 billion-a-year social welfare bill and to encourage the country's welfare recipients to look for work. While it does not threaten most people with the loss of benefits if they fail or refuse to find jobs, the Prime Minister said, it does require that they make a determined effort to enter the job market.

The Government's bill, which is to be voted on by Parliament later this year, also attacks the country's program of providing so-called incapacity benefits to people with long-term illnesses, which Mr. Blair says has "drifted out of control" as more and more people use it as an excuse to take early retirement and never seek work again. Tightening the requirements for the program and reducing payments to some recipients could result in about 170,000 people losing their benefits for a savings of some \$1.2 billion a year, according to advocates for welfare recipients.

Mr. Blair said that the welfare state under New Labor — as the Labor Party calls itself in an effort to distance itself from past left-wing governments — should be based on "a new ethic of rights and responsibilities."

His previous welfare reform programs, known collectively as the New Deal, have been criticized for not going far enough toward ending the culture of dependency. The proposals introduced today seemed intended to address some of that criticism.

"Individuals have a responsibility to accept work, train themselves for jobs, be flexible in the jobs they take and avoid dependency where they can," the Prime Minister said today in an article in *The Daily Mail*.

Speaking in Parliament this afternoon, Alistair Darling, the Social Security Secretary, said that the new interviews — which would be scheduled periodically for people receiving benefits — would require welfare

recipients to discuss their reasons for not working and help them explore ways of finding work.

"What we will not do is simply rot away and live a life on benefit," he said. "There comes a point where it's not good for you and not good for the rest of us to be unemployed."

Some groups of recipients, including the terminally ill and people with severe mental handicaps, would be exempt from the interviews, he said. "But for those people who can work," he said, "the message is quite clear — that they should work and there is no excuse for not doing so."

Today's proposals join earlier efforts by the Government to urge welfare recipients to find jobs. Under previous legislation, people who receive unemployment benefits are now required to accept reasonable offers of work, or lose their benefits. And under the so-called New Deal, which gives employers incentives to hire the unemployed, more than 100,000 people aged 18 to 24 have found work, the Government says.

But today's proposals were immediately attacked from both the left and the right. The Conservative Party accused the Government of "talking tough" but not "acting tough" and said that the new plan would not work unless more jobs were created.

Members of Parliament on Labor's left wing said that the Government's plan of compulsory interviews would be particularly difficult for vulnerable welfare recipients like the mentally ill or people seeking single-parent benefits for the first time. "People fear this kind of harassment will be oppressive to people," said Lynne Jones, a Labor Member of Parliament.

And advocates for welfare recipients accused the Government of using over-heated language to pander to middle-income people who are not traditional Labor supporters but who voted for the Labor Party in the last general election. It was no coincidence, they said, that Mr. Blair announced his new proposals in *The Daily Mail*, a popular, conservative tabloid whose support for him tends to run hot and cold.

"Tony Blair's statement that he wanted to end the 'something for nothing' welfare state is offensive, because it implies that people get benefits as a matter of course," said Martin Barnes, the director of the Child Poverty Action Group, an advocacy group for low-income families. "This is not true — there are means tests, medical examinations, lots of forms to fill out — and it reinforces negative stereotypes about the benefits system."

"I'm really disappointed that this is coming from a Labor Government," Mr. Barnes said. "There is an element of trying to outdo the Conservative Party on rhetoric."

The New York Times

THURSDAY, FEBRUARY 11, 1999

Brazil's Government Pays Foreign Debt Owed by One of Its States

BRASILIA, Feb. 10 (Reuters) — Brazil's Government picked up the bill today for foreign debt owed by one of its states, as it tried to avoid another blow to its financial credibility.

The Government, mired in a currency crisis, paid half the \$108 million in maturing Eurobonds of Minas Gerais state after its Governor said the state did not have the money. The Governor, Itamar Franco, who is a former President of Brazil, is a political opponent of President Fernando Henrique Cardoso.

Mr. Franco is in dispute with Bra-

erling this credit," Pedro Parente said. "We're not talking about a donation, we're talking about the lesser evil for the country."

Brazil is struggling against its worst financial crisis in years after a near-40 percent devaluation of its currency in January. There are worries that the crisis could set off new global turmoil.

Governor Franco set off Brazil's devaluation in January, when he announced a 90-day moratorium on his state's debts to Brasilia, a move that proved to be the last straw for investors nervous about Brazil's large

budget deficit.

Six other opposition governors have also demanded better terms on the debt agreements they inherited on taking office Jan. 1. The dispute is threatening Mr. Cardoso's hopes of getting all the country's 27 states to join the austerity drive that he promised the International Monetary Fund.

A face-to-face meeting between Mr. Franco and senior government officials is planned, but few analysts were counting on a quick end to the dispute.

Both sides are still marking out

their positions and there's little room for dialogue," said Marcelo Allain, chief economist at BMC Bank in São Paulo.

Markets are wondering how Brazil is going to cut spending as it agreed with the I.M.F. in order to receive more international rescue loans, and how quickly it can bring down high interest rates that have caused a recession.

"If rates don't come down in three or four months, then markets are going to get really worried," Mr. Allain said.

Mr. Cardoso tried to ease concerns that his Government was planning some kind of new measures over next week's Carnival holiday to ap-

ease the monetary fund and win back market confidence. "There's not going to be anything different this Carnival," he said Wednesday. "Those who are able to dance will dance and those of us who can't, won't dance."

President Cardoso is to meet with the Presidents of Paraguay and Argentina later this week to discuss the effects of the crisis on those countries.

Traveling?

Check the weather... from Albany to Acapulco. The New York Times

WR Moments

Moscow Court Weighs Jehovah's Witnesses Ban

By CELESTINE BOHLEN

MOSCOW, Feb. 10 — Seven years ago, Nikolai Cherevatov, then a Moscow University student, told his parents that his search for religion had led him to Jehovah's Witnesses, one of the fastest-growing proselytizing religious groups in Russia.

"They were very upset," said Mr. Cherevatov, now 31 and a rigorous follower of the religious community that is now before a Moscow court, accused of inciting religious discord and threatened with a ban on its activities.

"Papa said they were agents of the American C.I.A. who would give me a gun, and tell me to shoot my parents if there was a war," he said. "Mama said no good could come from a close reading of the Bible."

As a child in a Ukrainian village, Mr. Cherevatov spent Sunday mornings in the local Russian Orthodox Church with his grandmother. Later when he joined the Young Communist League, he had to stop going to church. But as soon as religious freedom dawned in the ruins of the Soviet empire, he began exploring his faith.

His journey began inside Russian Orthodoxy, but in the end led him out of it — a trajectory that has been repeated by hundreds of thousands of other Russian Christians, and set off alarms in the Russian Orthodox Church about inroads into their flock made by what its priests call "totalitarian sects."

"The script is always the same," Mr. Cherevatov said. "I left my church, I betrayed the beliefs of my forefathers, of my country. But nobody ever asks why I left the church. It was not fanaticism that led to this

A case watched closely by religious groups.

choice, it was common sense. Now I have a comparison to make."

A 1997 law on religion restricted nontraditional denominations, and after that, the Orthodox Church kept pressures on its rivals. Last August, Aleksei II, Patriarch of the Russian Orthodox Church, called for a ban on proselytizing faiths, particularly those that try to lure people away from the "religions of their ancestors."

The case now before a Moscow civil court, heard in a small courtroom, is being closely watched by religious and human rights groups as the first significant attempt to use the law to restrict worship. Also watching will be Secretary of State Madeleine K. Albright, who raised the case with her Russian hosts during a recent visit, and the United States Senate, which has on its books a law that links American aid to Russia to religious freedom.

If the judge agrees with the prosecutor, Jehovah's Witnesses — an aggressively proselytizing community with 130,000 believers in Russia — could lose their legal status and be banned in Moscow, where 10,000 followers reside. Technically, their national status would not be affected but many fear that such a ruling would only encourage local judges to follow suit, and not only against Je-

hovah's Witnesses.

"If they are successful in this case, then it will be terrible," said Lyudmila Alekseyeva, president of the International Helsinki Federation, "because after that, they will feel free to attack other groups."

Mrs. Alekseyeva, long a campaigner for human rights, said that "in a closed society like Russia, people don't like anything that is not 'ours.' When I ask people what is so dangerous about the Jehovah's Witnesses, nobody can answer, but they are sure they are, anyway. But this is not a theological problem. It is a human rights problem."

The atmosphere at the hearing today in a grimy court building in a neighborhood north of the Kremlin — where one of two elevators was broken, its doors kept open by a broken chair — carried faint hints of Soviet times when political and religious dissidents were shuffled from trial to trial.

Today, more than 100 Jehovah's Witnesses in wool coats and soggy boots gathered silently outside the courtroom doors. Many said they were prepared to wait as long as it takes for the judge to reach a resolution, even weeks.

"We cherish our truth," said Lena Sijanova, 27, who joined the Jehovah's Witnesses with her mother, "and they are trying to take it away. But you cannot forbid people's right to their faith because that right comes only from God."

According to the complaint filed by a Moscow district prosecutor, the Jehovah's Witnesses have violated the 1997 law by preaching religious discrimination, breaking up families,

withholding medical treatment — all in the name of their "one true religion." After an exhaustive textual analysis of literature disseminated by the Witnesses' door-to-door proselytizers, the prosecutors concluded that "overseers" in Russia and abroad "not only control the spiritual environment of the congregation, but also subject the manner of life, thinking, psyche and conduct of every member of the sect."

"The sect has a strong anti-Government, antisocial and anti-traditional as well as anti-Christian orientation," the prosecutors said. More than 21 witnesses are prepared to testify to the damage wrought by Jehovah's Witnesses on their family life and finances. Written testimony has been provided by a top expert from the Serbski Center for Social and Forensic Psychiatry — notorious in Soviet times for its "treatment" of dissidents — who found that "the teaching and activity of Jehovah's Witnesses contains factors that may lead to neuroticism and a state of depression."

But the essence of the case is strangely enough theological, presenting the unlikely scenario of a district court judge, born and trained in Soviet state atheism, sorting through arguments about the coming of Armageddon and views of relative religious superiority.

"It amounts to a theological discussion," said Albert Polanski, the Moscow representative of the community's world headquarters. "And yet, Jehovah's Witnesses are recognized by the Council of Europe and as Russia is a member, we should be fully protected."

The New York Times

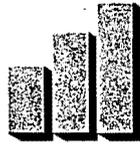
THURSDAY, FEBRUARY 11, 1999

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THE PRESIDENT HAS SEEN

8/23/96

Memo -
WR



CENTER ON BUDGET AND POLICY PRIORITIES

Revised August 12, 1996

THE DEPTH OF THE FOOD STAMP CUTS IN THE FINAL WELFARE BILL

The conference agreement includes \$27.7 billion in food stamp cuts.¹ More than half of the non-Medicaid savings in bill stems from cuts in the food stamp program. When the Administration last year released its highly publicized analysis estimating that the welfare bill which President Clinton later vetoed would add more than one million children to the ranks of the poor, it found the food stamp reductions to be one of the principal factors responsible for this large projected increase in child poverty. The recent Urban Institute report on the effect of this year's legislation on poverty also noted that the food stamp cuts were a main factor behind its estimate that the bill would push 1.1 million children, and 2.6 million people overall, into poverty.

Under the bill, food stamp benefits would be cut almost 20 percent in 2002, with average food stamp benefits falling from about 80 cents per person per meal to 66 cents per person per meal. A substantial portion of the food stamp benefit reductions in both bills would come in the form of across-the-board benefit reductions that would affect nearly all recipient households, including families with children, the working poor, the elderly, and the disabled. Only about two percent of the savings in the bill would come from provisions to reduce fraud and abuse, impose tougher penalties on recipients who violate program requirements, or reduce administrative costs.

Despite the size of the food stamp reductions, little attention has been paid to their effect on the ability of poor households to purchase food. This analysis uses food stamp survey data to assess the magnitude of the food stamp benefit reductions that various types of low-income households would encounter, including families with children, the working poor, and the elderly. It finds the bill would result in substantial reductions in average benefits and food purchasing power for all of these groups.

¹ This total includes \$3.8 billion in cuts in food stamp benefits for legal immigrants and their families, \$3.7 billion of which are in the immigrant title of the bill. This total also includes \$345 million in reductions from freezing the food stamp standard deduction for fiscal year 1997. This standard deduction cut appears both in the welfare legislation and in the agricultural appropriations bill for fiscal year 1997. Because Congress gave final passage to the agricultural appropriations bill shortly before the welfare bill, CBO has attributed the \$345 million in savings from this cut to the appropriations bill and has not included it in the CBO tables showing the savings in the welfare bill. Either way, however, food stamp households will feel the effect of this cut.

WHOM DO THE FOOD STAMP REDUCTIONS AFFECT?

Families With Children²

Under the conference agreement, families with children would absorb \$18.4 billion — or about two-thirds — of the food stamp cuts over six years. In 1998, families with children would lose an average of \$435 in food stamp benefits. Approximately 6.7 million families with children are projected to receive food stamp benefits in 1998.

Working Poor Households

The food stamp program provides important assistance to working poor families. In 1994, some 2.3 million food stamp households included at least one worker. Working poor households, including both working poor households with children and those without children, would absorb \$5.4 billion of the food stamp cuts — or about one out of every five benefit dollars cut — over the next six years. Stated another way, working poor families would see their food stamps cut an average of \$356 in 1998. By 2002, these families would lose an average of \$466 per year in food stamps.

Elderly Food Stamp Recipients

Over six years, the bill would cut food stamp benefits for households that include elderly members by \$2 billion. On average, the 1.75 million households with elderly members would lose \$167 per year in food stamp benefits in 1998. Elderly households would lose \$243 per year in 2002. In dollar terms, the average food stamp cut for elderly households is lower than for other families because elderly households typically include fewer people and, therefore, receive smaller average benefits. (Food stamp benefits vary with household size.) The bill would reduce food stamp benefits for elderly households by *one-fifth*.

The Poorest of the Poor: Families Below Half the Poverty Line

Half of the food stamp cuts in bill would be absorbed by the more than three million food stamp households with incomes below *half* of the federal poverty line. Half the poverty line for a family of three now is \$6,250.

In 1998, food stamp households with incomes below half the poverty line would lose an average of \$656 per year in food stamp benefits. By 2002, these households would face food stamp cuts averaging \$790 per year.

² Households may be classified in more than one category. For example, a household may be defined as both a working poor household and a household that includes an elderly member.

Non-Elderly Adults Without Children

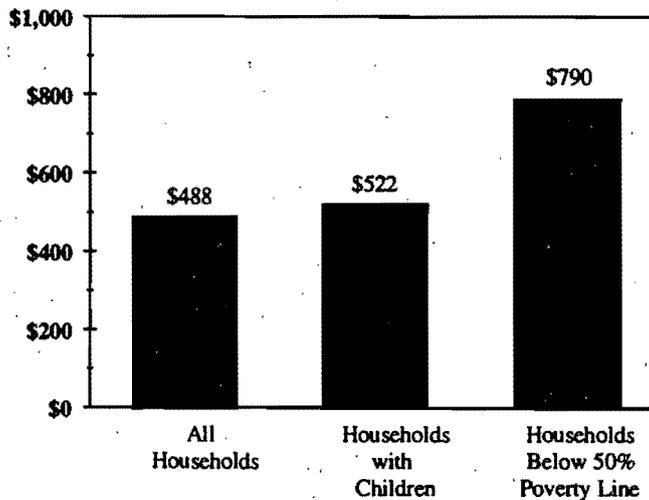
The conference agreement is particularly harsh on non-elderly adults that are not raising children. Under the bill, households without elderly members or children would face \$8.4 billion in food stamp cuts over six years. Beginning in 1999, these households would see their food stamp benefits cut an average of 40 percent.

Immigrants

Under the conference agreement, most legal immigrants would be made wholly ineligible for food stamps. (Illegal immigrants are already ineligible for food stamps. A study conducted for the Reagan Administration found that less than 1/100 of one percent of the people getting food stamps might be illegal aliens improperly on the program.) This provision is more severe than the immigrant provisions in last year's House welfare bill, which would have permitted food stamp benefits to continue for those legal immigrants who have been in the United States more than five years and are at least 75 years of age or who are too disabled to naturalize. The new bill includes no such exemptions and would make poor legal immigrants who are over 75 or permanently disabled ineligible for food stamp assistance.

**Average Annual Food Stamp Cuts Per Household
Under Welfare Conference Agreement**

FY 2002

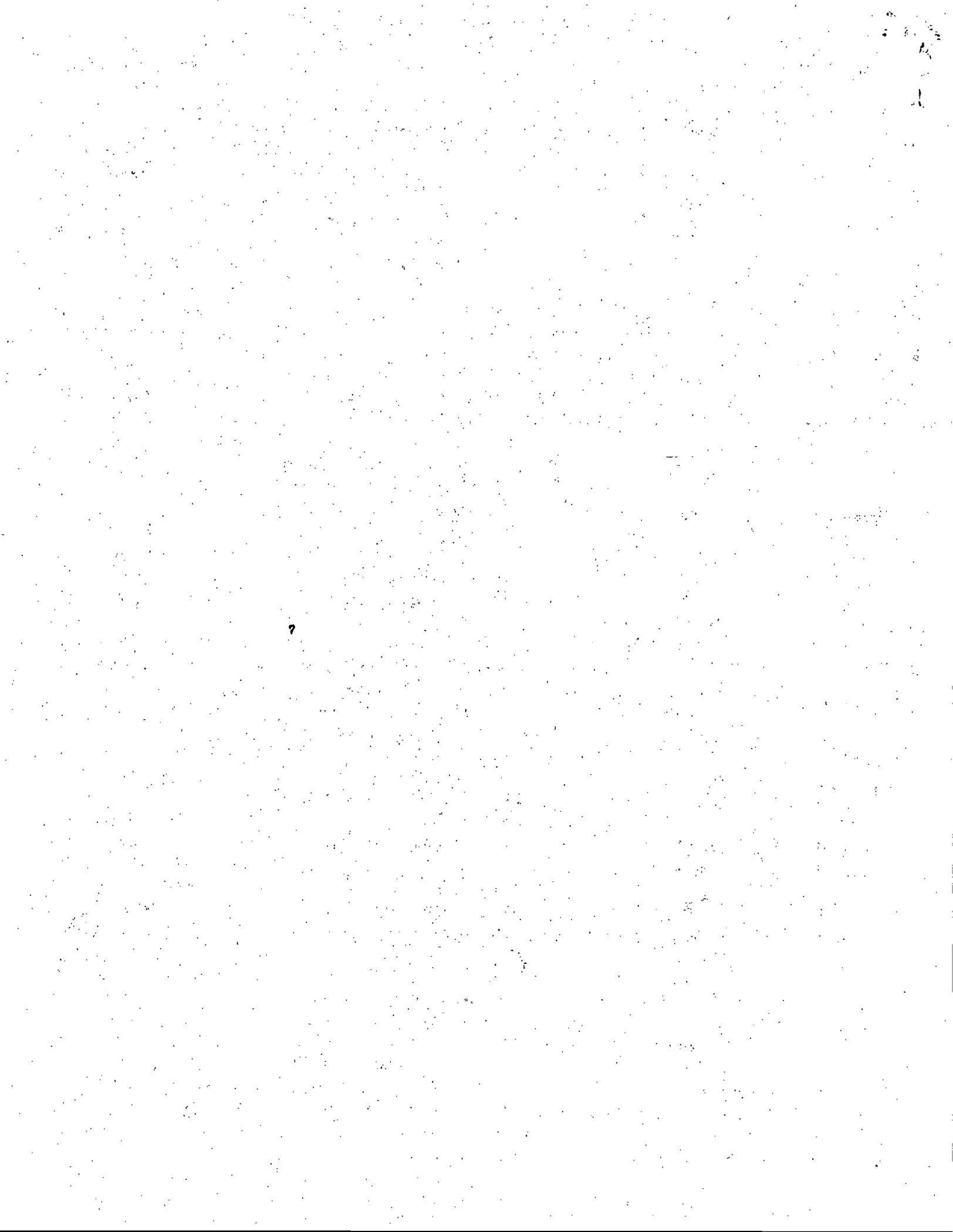


Food Stamp Cuts in the Final Welfare Bill (H.R. 3734)

State	Average Cut Per	Average Cut Per	State	Average Cut Per	Average Cut Per
	Food Stamp Household	Food Stamp Household		Food Stamp Household	Food Stamp Household
	FY 1998	FY 2002		FY 1998	FY 2002
Alabama	\$253	\$356	Montana	\$290	\$387
Alaska	\$342	\$459	Nebraska	\$258	\$353
Arizona	\$402	\$495	Nevada	\$346	\$446
Arkansas	\$236	\$338	New Hampshire	\$360	\$466
California	\$537	\$603	New Jersey	\$418	\$506
Colorado	\$344	\$443	New Mexico	\$350	\$433
Connecticut	\$440	\$532	New York	\$629	\$704
Delaware	\$360	\$459	North Carolina	\$242	\$342
Dist. of Col.	\$300	\$409	North Dakota	\$270	\$370
Florida	\$408	\$487	Ohio	\$342	\$456
Georgia	\$262	\$366	Oklahoma	\$274	\$378
Guam	\$384	\$518	Oregon	\$423	\$522
Hawaii	\$327	\$422	Pennsylvania	\$351	\$465
Idaho	\$303	\$398	Rhode Island	\$668	\$755
Illinois	\$346	\$452	South Carolina	\$235	\$337
Indiana	\$295	\$402	South Dakota	\$259	\$360
Iowa	\$293	\$396	Tennessee	\$299	\$413
Kansas	\$346	\$448	Texas	\$433	\$514
Kentucky	\$272	\$382	Utah	\$348	\$446
Louisiana	\$274	\$377	Vermont	\$375	\$468
Maine	\$384	\$484	Virgin Islands	\$312	\$423
Maryland	\$395	\$501	Virginia	\$298	\$399
Massachusetts	\$523	\$599	Washington	\$559	\$654
Michigan	\$373	\$477	West Virginia	\$216	\$314
Minnesota	\$386	\$479	Wisconsin	\$348	\$438
Mississippi	\$247	\$350	Wyoming	\$282	\$387
Missouri	\$290	\$398			
			U.S. Average	\$394	\$488

Total Food Stamp Cuts in the Final Welfare Bill (in millions)

State	Total Food Stamp Cuts FY 2002	Total Food Stamp Cuts FY 1997-2002	State	Total Food Stamp Cuts FY 2002	Total Food Stamp Cuts FY 1997-2002
Alabama	\$79	\$363	Montana	\$12	\$58
Alaska	\$8	\$36	Nebraska	\$16	\$76
Arizona	\$84	\$410	Nevada	\$23	\$108
Arkansas	\$40	\$183	New Hampshire	\$12	\$57
California	\$781	\$3,987	New Jersey	\$132	\$650
Colorado	\$49	\$235	New Mexico	\$41	\$203
Connecticut	\$59	\$286	New York	\$762	\$3,885
Delaware	\$10	\$50	North Carolina	\$96	\$442
Dist. of Col.	\$19	\$89	North Dakota	\$7	\$31
Florida	\$317	\$1,572	Ohio	\$231	\$1,084
Georgia	\$130	\$601	Oklahoma	\$62	\$287
Guam	\$3	\$14	Oregon	\$78	\$381
Hawaii	\$28	\$133	Pennsylvania	\$254	\$1,188
Idaho	\$13	\$64	Rhode Island	\$32	\$164
Illinois	\$232	\$1,101	South Carolina	\$50	\$231
Indiana	\$67	\$312	South Dakota	\$7	\$33
Iowa	\$32	\$148	Tennessee	\$123	\$565
Kansas	\$36	\$170	Texas	\$501	\$2,505
Kentucky	\$78	\$357	Utah	\$20	\$97
Louisiana	\$106	\$492	Vermont	\$13	\$64
Maine	\$32	\$152	Virgin Islands	\$6	\$28
Maryland	\$91	\$442	Virginia	\$105	\$491
Massachusetts	\$105	\$528	Washington	\$147	\$735
Michigan	\$217	\$1,035	West Virginia	\$42	\$190
Minnesota	\$66	\$318	Wisconsin	\$52	\$249
Mississippi	\$69	\$317	Wyoming	\$5	\$25
Missouri	\$103	\$478			
			U.S. Average	\$5,680	\$27,707



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THE PRESIDENT HAS SEEN
8/23/96

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CENTER ON BUDGET AND POLICY PRIORITIES

August 15, 1996

THE TIMELINE FOR IMPLEMENTING THE NEW WELFARE LAW

by Jocelyn Guyer, Cindy Mann and David A. Super

Introduction

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 includes nine titles, affecting most major low-income programs, including AFDC, food stamps, Medicaid, Supplemental Security Income (SSI), child welfare and child support. The scope and potential impact of the changes in low-income programs in this bill are unprecedented. Some of the changes are effective upon or soon after enactment of the bill. Other changes will be implemented over the course of the next fiscal year or later, and still other changes are subject to state discretion — when and how these changes are made are matters left largely to the states.

This paper reviews the dates by which the major changes in welfare, Medicaid and the food stamp program must be implemented, or could be implemented at state option. While many of the changes required by this bill must be put into effect quickly, states have time for a thoughtful implementation process in some key areas, including most of the basic decisions about the design and direction of their welfare programs. Given the scope and potential consequences of the changes that are about to occur, it is imperative that states take full advantage of every opportunity for careful consideration of the policy choices and implementation issues presented by this historic legislation.

Overview of the Effective Dates for the Key Welfare, Medicaid and Food Stamp Provisions

Welfare and Medicaid Provisions

- States have until July 1, 1997 to submit a new state plan to the Secretary of Health and Human Services outlining how they intend to run the programs funded under the Temporary Assistance to Needy Families block grant ("TANF"). Submission of a new state plan signals a state's entrance into the new block grant system. States have the option of entering the new system early by submitting their state plans prior to July 1, 1997. *The date of plan submission is the effective date for most of the welfare-related provisions in the new law, including the 60-month lifetime limit on receipt of federally funded assistance.*
- The TANF block grant will begin to affect all states during federal fiscal year 1997, which runs from October 1, 1996 through September 30, 1997. During

federal fiscal year 1997, states cannot receive more assistance than they are due under the bill's block grant funding formula, but they also are not guaranteed their full block grant allocations unless they spend the entire federal fiscal year under the new system.

- Because of caseload declines, the block grant allocations for most states, which are based on historic spending levels, will be *higher* than the federal payments the state would receive in federal fiscal year 1997 under the AFDC program. Most states, therefore, will not experience fiscal pressure in fiscal year 1997 to make changes to keep spending below their block grant allocations; they can take time to consider how they want to structure their new programs and implement program changes. (For example, the states must be ready when they enter the new system to track the months of receipt of aid under the new time limit.) On the other hand, these same states have a financial incentive to enter the new system at the earliest possible date in order to capture "surplus" block grant allocation dollars for as much of federal fiscal year 1997 as possible. States may be able to resolve the tension between needing time to plan and implement major changes and wanting to maximize federal funding in fiscal year 1997 by submitting state plans that largely keep their current systems intact and perhaps amending their state plans at a later date.
- There are caveats to the rule that most of the welfare-related provisions in the bill go into effect when a state submits a new state plan. States have at least an additional six-month grace period after the date of submission of their plans to comply with selected provisions of the law, including the work requirements. Additionally, the Secretary of Health and Human Services has limited or no explicit authority to enforce many provisions in the law. Consequently, states may not face adverse consequences for not having their programs conform to all of the new requirements by the operative effective date.
- States that currently have an AFDC waiver — and states that secure approval from the Secretary of Health and Human Services for a pending or new waiver submitted prior to the date of enactment of the law — may follow the terms of their waivers even if they are inconsistent with provisions in the law. States whose waivers are submitted prior to the date of enactment but approved after that date must, however, follow the work requirements established by the new law.
- States must have new Medicaid procedures in place when they enter the new system to ensure that any changes made in their welfare programs will not affect children and parents' eligibility for Medicaid.
- The entitlement of any person to AFDC under Parts A and F of Title IV of the Social Security Act is terminated on October 1, 1996 or earlier in any state that

enters the new system before this date. Individuals may continue to be entitled to AFDC under the existing state plan or pursuant to state law.

- Effective immediately upon enactment, states are prohibited from using federal block grant funds to provide aid — and they also are prohibited from providing Medicaid — to most legal immigrants who enter the country on or after the date on which the bill becomes law. The ban extends five years after an immigrant's date of entry. States have the option to grant or to deny assistance under TANF or Medicaid to legal immigrants *already residing* in the United States, although the earliest date on which they can terminate aid to legal immigrants currently receiving benefits is January 1, 1997. States are required to indicate in their state plans whether or not they intend to continue to provide benefits under TANF to legal immigrants already residing in the United States.

Food Stamp Provisions

- Most legal immigrants not currently receiving food stamp benefits are ineligible for food stamps as of the date the bill becomes law. For legal immigrants currently receiving food stamps, states must terminate their benefits at the time of their next scheduled recertifications, but not later than a year after the date of enactment. (Similar rules apply to the SSI program.)
- Several other changes in the food stamp program are effective upon enactment, including changes in income exclusions and pro-rating rules. The quality control system, however, will not count errors states make under these provisions until 60 days after they receive an implementation memo from the USDA.
- States have up to three months after the date of enactment to notify those unemployed food stamp recipients between the ages of 18 and 50 who are subject to a new three-month time limit on the receipt of benefits during any 36-month period. The clock on the three-month limit on benefits does not begin to run until notice has been provided. States can immediately request waivers for areas with unemployment rates over 10 percent or for other areas in which insufficient jobs exist for people affected by this provision.
- Many of the major provisions in the law that reduce food stamp benefits are effective when states would otherwise be adjusting food stamp benefit calculations in October, 1996 or January, 1997. Thus, the inflation adjustments scheduled for October 1, 1996 will be modified according to provisions in the law, the adjustments in the standard deduction will be canceled, while the adjustments in the basic benefit level (the "thrifty food plan") and the limit on the value of vehicles that households may own will both be curtailed. On January 1, 1997, instead of removing the cap on the shelter deduction, states will raise the cap by \$3 to \$250.

- At any time after enactment, states can exercise numerous new state options created by the law, including the option to adopt "simplified" food stamp program rules that are consistent with TANF program rules.

The remainder of this paper provides more detail on when states must implement the changes described above. In addition, a chart is attached at the end of the paper summarizing the implementation dates and enforcement mechanisms of the major TANF, Medicaid and food stamp provisions in the new law.

Implementation Dates for the Welfare and Welfare-related Medicaid Provisions, in General

The date on which a state first submits its state plan is the date on which it enters the new system and on which most of the TANF provisions and the related Medicaid changes in the law go into effect for that state. States must submit a plan *by* July 1, 1997. They have the option, however, to enter the new system earlier, at any time after the date of enactment.

Most of the TANF provisions go into effect on the date that a state submits its plan. Beginning on that date, for example, a state must track the number of months that families with an adult receive assistance funded under the block grant in order to apply the bill's 60-month lifetime limit on receipt of federally funded welfare assistance.

There are caveats to the general rule that the TANF provisions in the new law go into effect on the date that a state submits its plan. First, the new law terminates individuals' entitlement to AFDC under Part A and F of Title IV of the Social Security Act on October 1, 1996, although nothing in the law precludes a state from guaranteeing assistance to all individuals eligible for aid under its TANF program.¹ Second, as described in the next section, states have a grace period of at least six months after they enter the new system during which they cannot be financially penalized for non-compliance with selected welfare provisions. Most significantly, states will be given at least six months after they submit their state plans to come into compliance with the work participation requirements. And finally, as described in the financing section, block grant financing limits begin to take effect on October 1, 1996 regardless of when the state files its state plan.

Submitting a State Plan

To enter the new welfare system, a state must submit a new state plan to the Secretary of Health and Human Services. The Secretary must determine that a plan is complete before the state can receive TANF funds, but she has no authority to disapprove a state's plan as long as the plan contains the required elements. The plan must include a set

¹ The entitlement may extend beyond October 1, 1996 based on state plan provisions or state law. The entitlement to AFDC under the Social Security Act may be terminated before October 1, 1996 in states that enter the new system prior to that date.

of certifications and provide an outline of how the state intends to run its TANF program(s). For example, plans must describe how the state intends to meet the work requirements, and it must set forth the objective criteria the state will use to determine eligibility and deliver benefits. States also must certify in their plans that they have consulted local governments and "private sector organizations" about the plan and allowed them at least 45 days to submit comments.²

The Role of State Legislatures

Federal TANF funds received by a state must be subject to appropriation by the state's legislature. States, therefore, cannot spend their block grant dollars without allowing the legislature a role in determining how those dollars will be spent. It is unclear, however, whether further legislative action is required during the first year (federal fiscal year 1997) in states where legislatures have already passed their budgets appropriating funds under the AFDC system. The extent to which legislative involvement is required with respect to the fiscal year 1997 appropriation and the development of the TANF state plan may depend on the laws in an individual state.

Effective Dates for Specific Welfare and Related Medicaid Provisions

The new law contains a number of restrictions on states' use of federal block grant dollars.³ While the federal government has no clearly defined authority to enforce many of the new restrictions, the Secretary of Health and Human Services is directed to reduce the block grant allocations of states that fail to comply with specific provisions of the new law.⁴ This section briefly describes the various requirements and restrictions imposed on states, beyond the general requirement that they submit a state plan by July 1, 1997, organized with reference to the date on which the provision becomes effective and whether the provision is clearly enforceable by the Secretary.⁵

² There is no definition of private sector organizations in the bill.

³ For a detailed description of the legislative provisions relating to TANF, see Greenberg and Savner, *A Detailed Summary of Key Provisions of the TANF Block Grant of H.R. 3734, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996*, Center for Law and Social Policy, August 13, 1996.

⁴ The new law also includes a general penalty clause allowing the Secretary to reduce a state's block grant allocation if an audit reveals it has used federal funds in violation of the purposes of the TANF program. It is possible that this general penalty could be used to enforce provisions of the bill not associated with a specific financial penalty.

⁵ One provision that does not fit into this framework is a requirement that not later than one year after the date of enactment states must require selected adults — those who have received assistance for two months and who are subject to work requirements, but not yet engaged in work — to participate in community service employment. States may opt out of this provision by notifying the Secretary of Health and Human Services. They also have the authority to define the tasks that constitute community service employment

(continued...)

Provisions Enforceable Beginning on the Date a State Submits Its New Plan

The following provisions go into effect on the date a state submits its new state plan. For states that wait until the deadline to enter the new system, that date will be July 1, 1997. These provisions are clearly enforceable in the sense that the Secretary of Health and Human Services is specifically directed to reduce the block grant allocations of states that fail to comply with them.⁶ The related Medicaid provision is enforceable by the Secretary under the current rules governing the Medicaid program.

Time limit. The bill prohibits states from providing any aid using *federal* block grant dollars to a family that includes an adult who has received assistance for 60 months (not necessarily consecutive) except for families granted a hardship exemption.⁷ A state must start the 60-month clock for recipients on the date that the state enters the new system. The federal time limit is prospective — a state may not count toward the time limit any months that a family spent on welfare prior to the date on which the state filed its initial state plan.⁸

States that fail to comply with the 60-month limit will have their basic block grant allocations reduced by five percent. One implication of the 60-month time limit and the penalty that attaches to a state's failure to comply with this provision is that states are at risk if they enter the new system before having the capacity to track the number of months spent on welfare, including the cumulative receipt of aid by families who move on and off of programs funded under TANF.

Prohibition on sanctioning parents who cannot obtain care for a child under age six. In applying the work requirements (discussed below), states cannot reduce or deny assistance under the block grant to a single-parent with a child under age six who is unable to comply with these requirements because she cannot find child care. The Secretary is directed to reduce the federal block grant allocations of states that violate this provision by up to five percent. Note that the lack of child care does not stop the time-limit clock from running, although states may decide to treat lack of child care as a basis for granting a hardship exemption from the time limit.

⁵ (...continued)

and to establish the number of hours per week affected individuals must participate in those tasks.

⁶ States that face a reduction in their block grant allocations due to non-compliance with provisions of the bill must replace their lost federal dollars with state spending on TANF. The state spending must be in addition to any spending a state does to satisfy the maintenance-of-effort requirement included in the bill. States that fail to replace lost federal dollars will have their federal block grant allocations further reduced in the following fiscal year.

⁷ A state may offer hardship exemptions from the time limit to up to 20 percent of its caseload.

⁸ States have the option of imposing a shorter time limit and may be allowed to impose a retrospective time limit. States also are allowed to use their own money to provide assistance to families beyond the 60-month federal time limit. Any money a state spends for this purpose can be counted by a state to meet the maintenance-of-effort requirements.

Medicaid for children and parents who qualify based on current AFDC rules. Current state AFDC income and asset rules as well as the standards that largely limit AFDC to single-parent families with children (i.e., the "deprivation rules") are carried over to the Medicaid program to assure that welfare changes do not affect Medicaid eligibility for children and parents who currently receive Medicaid as well as for those who apply in the future.⁹ As of the date a state submits its state plan under the block grant, a state must cover under Medicaid families who meet the deprivation rules and whose income and assets are below the state's AFDC standards as of July 16, 1996.¹⁰ Eligibility for Medicaid will not be linked to receipt of aid under the block grant.¹¹ States must also assure that transitional Medicaid assistance is provided to families who would otherwise become ineligible for Medicaid due to earnings or child support.

*Provisions Enforceable No Earlier Than Six Months
After a State Submits Its Plan*

The following provisions also are technically effective on the date that a state enters the new system and can be enforced by the Secretary with financial penalties. They will, however, be enforced with respect to conduct that occurs no earlier than six months after a state submits its plan. Specifically, they will be enforced beginning six months after the date on which a plan is submitted *unless* a state enters the new system early. States that enter early will have six months or until July 1, 1997, whichever is later, before they will face financial penalties for failing to comply with these provisions.

Thus, states that enter the new system between the date the bill is enacted and January 1, 1997 will have until July 1, 1997 to comply with these provisions; states that enter the system between January 1, 1997 and June 30, 1997 will have six months from the date the plan is submitted to comply with these provisions; and states that enter the new system on the latest allowable date, July 1, 1997, will have until January 1, 1998 to comply.

Work program participation rates. States are required to have a growing portion of their caseloads in work activities over the next several years, according to the schedule provided below.¹² States must meet two separate work participation requirements — one

⁹ These deprivation rules will not require a change in Medicaid application procedures since states already determine family composition for purposes of Medicaid eligibility and to identify child support obligations.

¹⁰ States can lower their income standards but not below May, 1988 levels, and they can raise their standards but not by an amount greater than the increase in the Consumer Price Index.

¹¹ States may, however, terminate Medicaid coverage for adults and minor parents heading households whose cash assistance under the TANF block grant is terminated due to a refusal to work. States cannot deny Medicaid to pregnant women on these grounds.

¹² The work participation requirements are a particularly complex and detailed section of the bill. They are covered here in only a general fashion.

for all families and one for two-parent families.¹³ The new law defines what constitutes a countable work activity and prescribes the number of hours a week an individual must be engaged in such an activity to be counted as a work "participant." For example, during fiscal year 1998, a single-parent will qualify as "participating" only if she is engaged in a countable work activity for at least 20 hours per week, while the worker in a two-parent family must be engaged in a work activity for at least 35 hours per week.¹⁴

Work Participation Rate Requirements

Fiscal Year	All Families		Two-Parent Families	
	Participation Rate	Hours of Work Required	Participation Rate	Hours of Work Required
1997 (not enforced unless state enters early)	25%	20	75%	35
1998 (enforced beginning 1/1/98 or earlier if state enters the new system early)	30%	20	75%	35
1999 (enforced)	35%	25	90%	35
2000 (enforced)	40%	30	90%	35
2001 (enforced)	45%	30	90%	35
2002 (enforced)	50%	30	90%	35

In practice, lower participation rate requirements than those listed in the table above may apply in individual states in light of a provision known as the "caseload reduction credit." The credit reduces a state's required work participation rates by the extent to which a state's caseload has declined relative to federal fiscal year 1995 levels. Specifically, a state's participation rates are reduced by the number of percentage points by which the number of families receiving assistance under TANF fell below the number that received assistance under the AFDC program in fiscal year 1995. For example, if a state's caseload fell by eight percent between fiscal year 1995 and fiscal year 1996, in fiscal year 1997, the state would be required to meet a work participation rate for all families of 17 percent (25 percent - eight percentage points), instead of the standard 25 percent. Caseload declines attributable to federal restrictions and changes in state eligibility criteria, however, are *not* allowed to be counted toward this caseload reduction credit.

¹³ The bill directs the Secretary of Health and Human Services to reduce the block grant allocations of states that fail to meet the work participation requirements by up to five percent in the next fiscal year. If non-compliance continues, the penalty increases by up to two percentage points a year but cannot exceed 21 percent of a state's block grant allocation.

¹⁴ The bill does not address how the work participation requirements are to be calculated for states where the requirements are not in effect for the full fiscal year.

Sanctions for failure to cooperate in collecting child support. Under the new system, states are required to impose harsher sanctions than allowed under current law on families where the parent does not cooperate fully in establishing paternity and collecting child support. States must reduce by at least 25 percent the payments made to any family not cooperating fully, as well as eliminate assistance for an entire family if the head of the family declines to assign support rights to the state.

Additional Provisions. States also may face financial penalties, subject to the grace period, if they do not comply with new data reporting requirements; if they do not operate a system to verify the accuracy of information they receive from applicants about their income, citizenship status and other issues affecting their eligibility for TANF assistance; and if they do not satisfy child support enforcement standards.

Major Requirements for Which There is No Specified Federal Penalty

The effective date of the provisions listed below is the date on which a state enters the new system. The Secretary of Health and Human Services has not been given any *specific* authority to impose penalties to enforce these requirements, although there is a general penalty clause in the bill that allows the Secretary to reduce a state's block grant allocation if an audit establishes that it has used federal funds "in violation" of the requirements in the new law. The Secretary's enforcement authority is particularly unclear with respect to the first requirement regarding work that is listed below. States must indicate in their state plans how they *intend* to comply with this requirement, but the law does not directly impose this requirement on states.

- States must include in their state plans a description of how they *intend* to require adults to engage in work after receiving TANF assistance for 24 months (not necessarily consecutive).
- States may not use federal block grant funds to aid unmarried minor parents who are not living at home or under the supervision of another adult relative or legal guardian or who are not attending high school or an alternative education program.
- States must make an initial assessment of the skills, work experience, and employability of most TANF recipients.

The Effect of Waivers on Implementation Requirements

States that have AFDC waivers, and states that secure approval from the Secretary of Health and Human Services for a pending or new waiver request prior to the date of enactment of the bill, can operate their programs under the terms of these waivers until their waivers expire. States that have applied for a waiver prior to enactment of the bill whose waivers are approved after enactment — but before July 1, 1997 — also may follow the terms of those waivers, except that these states must comply with the work requirements in the new law.

Within these parameters, the law specifically provides that amendments to the title of the law pertaining to TANF shall not apply to the extent such amendments are inconsistent with a state's waiver.¹⁵ Thus, although the language is somewhat vague, it appears that states with waivers do not need to change their systems to conform with specific features of the law to the extent that the state's waiver already addresses the issue. For example, if a state has already imposed a time limit on the receipt of aid and has adopted exemptions and extensions applicable to its time limit, it would appear that the 20 percent cap on exemptions to the 60-month time limit would not apply to that state. Instead, the state's exemptions would be based on the exemption criteria included in its waiver.¹⁶

Financing Provisions

In general, states will receive block grant allocations from the federal government that are based on historical spending and are frozen over the next six years, regardless of the actual cost of serving needy families. The financing provisions may bear significantly on the decisions a state makes about how quickly to enter the new system.

Block Grant Allocations - General Rules

Under the new system, states will receive a fixed block grant allocation from the federal government to help finance their programs for low-income families with children. Unlike under the AFDC matching system, the federal government's contribution to a state will not rise when a state's spending rises, nor fall when a state's spending declines as long as a state meets its maintenance-of-effort requirement (see below).

Each state will receive an amount equal to the highest of its federal payments for AFDC, JOBS, and Emergency Assistance during (1) fiscal year 1995, (2) fiscal year 1994, or (3) the average of federal payments for these programs during federal fiscal years 1992 through 1994. Each state's basic block grant allocation will remain unchanged beginning in federal fiscal year 1997 and continuing through federal fiscal year 2002.

¹⁵ The bill does not elaborate on how to evaluate whether a waiver is inconsistent with a provision in the bill, nor does it specify who has the authority to make this judgement.

¹⁶ States' exemption policies under waivers are likely to be more generous than the 20 percent cap created by the new law. According to an analysis of state waivers conducted by the Center for Law and Social Policy (CLASP), the portion of the caseload exempt from time limits in states terminating all cash aid to families after a specified period of welfare receipt range from an estimated 19 percent of all welfare families in the state with the narrowest exemption policy to 91 percent in the state with the broadest exemption policy. These estimates do not take into account state policies granting extensions of a time limit to selected individuals, nor do they reflect the exemption policies of states that continue to provide some cash aid or to require work after a family has received welfare for a specified period. For details, see *Limits on Limits: State and Federal Policies on Welfare Time Limits* by Greenberg, Savner, and Swartz, CLASP, June, 1996.

Block Grant Allocations - Federal Fiscal Year 1997

The amount of federal assistance that states can receive during federal fiscal year 1997 will be capped at the level of their block grant allocations.¹⁷ States, however, are not guaranteed their full block grant allocations in fiscal year 1997. The actual amount of federal funds a state receives in fiscal year 1997 will depend on when the state enters the new system.

So long as states operate their welfare systems under the old AFDC rules, their federal payments will be based on the AFDC matching formula. Once a state enters the new system by submitting a state plan, it will receive its block grant allocation prorated according to the number of days left in the fiscal year. Thus, a state that enters the new system on March 1, 1997 will receive federal AFDC matching payments from October 1, 1996 through April 30, 1997 plus half of its federal fiscal year 1997 block grant allocation. Under no circumstances, however, can the combination of payments under the old and new system exceed a state's block grant allocation for federal fiscal year 1997 as a whole.

For the majority of states, the full federal block grant allocation for fiscal year 1997 may be greater than the amount of federal funds they would have received under the AFDC matching rate system. This is because AFDC caseloads, and, to a lesser extent, AFDC-related expenditures, have been declining since the base year(s) used to determine the states' block grant allocations.

As Table 1 (attached at the end of this paper) indicates, AFDC caseloads in the most recent period for which preliminary data for all states are available — the first eight months of federal fiscal year 1996 — are lower than they were during the base year(s) used to determine all but two states' block grant allocations. Although national expenditure data are not yet available on a state-by-state basis for recent years, expenditures in most states appear to have declined along with caseloads although not always as steeply.¹⁸

The implications of states' declining caseloads and expenditures relative to the block grant base year(s) are two-fold. On one hand, many states will not *need* to reduce benefits or restrict eligibility to keep spending within the confines of their block grant allocations in the near future. Thus, most states do not have to rush to submit a state plan and enter into the new system in order to make major changes that would keep spending below federal

¹⁷ A state could submit a state plan before October 1, 1996 and receive part of its funding for federal fiscal year 1996 under the block grant system.

¹⁸ Thus, the Congressional Budget Office has estimated that block grant allocations in fiscal years 1997 and 1998 will be higher than expenditures projected for states under the AFDC system. Over time, however, block grant allocations will be increasingly inadequate as inflation erodes their value and as caseloads expand in response to natural population growth or to economic conditions. CBO projects that by 1999, federal funding will fall short of what would be provided under the AFDC program, and by 2002, the funding shortfall is projected to reach more than \$1 billion per year. Moreover, the bill provides states with no new funds with which to implement the increasingly stringent work requirements.

block grant levels. States have time to consider the implications of making any changes, assure broad input in the decision-making process, and make all necessary system adjustments. This is particularly important given the many questions that will need to be resolved about the meaning of various provisions in the legislation, the interrelationship between the welfare changes and the changes in food stamps, Medicaid, SSI and other programs, and the profound consequences for needy families and low-income communities of the changes that might be made.

At the same time, the phenomena of declining caseloads and expenditures may create incentives for states to enter the new system at the earliest possible date. As noted above, the length of time during federal fiscal year 1997 that states are operating their programs under the new system will determine how much of their 1997 block grant allocations they will receive in addition to any matching payments they get while operating under the old system. Some states where block grant allocations are expected to bring in more federal funds in federal fiscal year 1997 than the state would receive under the AFDC matching system may want to spend as much of the year under the new system as possible.¹⁹

States may be able to resolve the tension between the need to proceed thoughtfully and the desire to maximize federal payments in federal fiscal year 1997 by submitting a state plan that initiates the block grant payment but that does not make significant changes in the current system. Then, after the state has considered alternatives and solicited input from affected parties, the state plan could be amended if necessary to reflect additional program changes. There are no specific limitations or requirements imposed on states with respect to the state plan amendment process.

In addition, as noted above, a state may be able to continue to operate its current system based on waivers submitted prior to the enactment of the new law, even if those waivers are inconsistent with provisions of the law. In such cases, a state may be able to submit a state plan based on the waivers and receive all or most of its federal fiscal year 1997 block grant allocation.

Maintenance-of-Effort Requirement

Beginning in federal fiscal year 1997, states must maintain spending at no less than 80 percent of 1994 levels on AFDC benefits and administration, Emergency Assistance, JOBS, and selected child care programs. The Secretary of Health and Human Services is directed to reduce a state's block grant allocation during the following federal fiscal year by

¹⁹ Another consideration with respect to the fiscal consequences of entering the new system on a particular date is that the new law allows states to receive additional federal dollars for costs attributable to making Medicaid eligibility determinations that would not have been incurred but for the Medicaid changes in the new law. A state can receive these funds for expenses incurred in the first 12 calendar quarters in which it operates a program under TANF. A state that enters the new system after the quarter begins may be foregoing some of the funds it would otherwise receive under this provision.

the amount a state comes up short.²⁰ States that comply with the work participation rates will be subject to a lower, 75 percent, maintenance-of-effort requirement.

Contingency Fund

Beginning in federal fiscal year 1997, states may be eligible to receive additional federal payments worth up to 20 percent of their block grant allocations if they experience particularly severe economic conditions (as evidenced by high unemployment rates or large increases in food stamp caseloads²¹). The fund contains \$2 billion for federal fiscal year 1997 through federal fiscal year 2001. States cannot access the contingency fund unless they maintain state spending on welfare at 100 percent of base year levels.

Additional Sources of Funds for States

The bill contains four other sources of funds for states that may provide them with very modest amounts of additional federal assistance. They are: (1) supplemental grants for states with relatively rapid population growth and/or a history of low spending on their AFDC programs, available to states beginning in federal fiscal year 1998; (2) grants to states deemed by the Secretary of Health and Human Services to qualify as "high performing" states based on the quality of their TANF programs, available to states beginning in fiscal year 1999; 3) grants to the five states that experience the largest decline in their out-of-wedlock birth ratios, available beginning in federal fiscal year 1999; and 4) a loan fund from which states that have never been penalized for failing an audit of their TANF programs may borrow money beginning in fiscal year 1997.

Limits on Eligibility for Aid under TANF and Medicaid for Legal Immigrants

Effective immediately upon enactment of the bill, states are prohibited from providing aid under the AFDC program and from using TANF block grant funds to aid most legal immigrants who enter the country *on or after* the date the bill is enacted. The prohibition remains in effect for the immigrants' first five years in the country.²² These same rules apply to the Medicaid program. States can, but are not required to, use state funds to aid these immigrants.

²⁰ There are complicated and important rules governing what spending qualifies as "maintenance-of-effort" spending. These rules are not discussed in detail here.

²¹ To qualify for contingency funds, a state's food stamp caseload would have to increase at least 10 percent over the lower of its 1994 or 1995 level, or its unemployment rate would have to rise to at least 6.5 percent and be at least one-tenth higher than the state's unemployment rate in the same months of either of the two prior years.

²² States may determine how legal immigrants are treated after the five year bar.

Limitations on providing aid under AFDC, TANF or Medicaid to most legal immigrants who entered the country *before* the date of enactment are left to the states to decide. States have the *option* to grant or deny welfare or Medicaid to legal immigrants *already* residing in the United States on the date the bill is enacted into law. They must indicate whether they will provide aid in their state plans under TANF. If states opt to terminate aid to immigrants now in the country, they must wait at least until January 1, 1997 before eliminating assistance for those legal immigrants receiving welfare or Medicaid on the date of enactment. However, states may deny AFDC, aid under TANF, or Medicaid at any time after the date of enactment to those already in the United States who are not receiving aid on that date.²³

Food Stamp Program Changes

This section briefly describes the major changes in the food stamp program included in the new law. It is organized generally around the dates on which states must implement these changes, beginning with provisions that states must start to implement on the date of enactment. The section then describes changes to the arithmetic formula for computing benefits and eligibility that will affect the adjustments that states already are scheduled to make on October 1, 1996 and January 1, 1997. It concludes with the timeline for implementing the new limit on benefits for certain unemployed recipients and with a section on the new option to adopt simplified food stamp program rules.

Required Food Stamp Provisions Effective Upon Enactment

States are required to begin implementing the following changes upon enactment of the bill. Although they are required to implement these changes immediately, the food stamp quality control (QC) system does not penalize states for mistakes made in the first 60 days following USDA's issuance of an implementing memorandum. This effectively gives states 60 days after issuance of the implementing memorandum to bring local offices into full compliance.

Among the mandatory changes that will require specific action from states to implement are the following:

- Ending the income exclusions for state energy assistance, certain vendor payments for homeless households, and the earnings of high school students between the ages of 18 and 22.
- Increasing the penalties on people violating various food stamp work rules as well as rules in other programs.

²³ The bill exempts selected groups of immigrants from these provisions, including (1) refugees, asylees, and immigrants granted withholding of deportation during their first five years in the country; (2) legal immigrants who are veterans and service members, as well as their spouses and unmarried dependent children; and (3) certain legal immigrants who have worked for at least 40 quarters (10 years).

- Pro-rating the food stamps of households (other than migrant farm workers) who reapply after having been off of the program for periods of less than one month.

The food stamp rules for new legal immigrants also begin to apply on the date the bill is enacted.²⁴ New legal immigrants who enter the country *on or after* the day of enactment, and any legal immigrants *already* residing in the country who are *not* on that day receiving food stamps, will not be eligible for food stamps upon enactment. The remaining group of legal immigrants — those who are *already* residing in the United States on the date of enactment *and* who are receiving food stamps on that date — will lose their food stamps at the time they are scheduled for their regular food stamp eligibility recertification but no later than a year after the bill's enactment.²⁵

Required Food Stamp Changes Effective October 1, 1996 and January 1, 1997

Many of the major food stamp changes made by the bill involve changes to the arithmetic formula for computing benefits that will affect the adjustments that states are scheduled to make under current law on October 1, 1996 and January 1, 1997. As a result of these changes, on October 1, 1996 states will not make scheduled adjustments in the standard deduction and the homeless shelter deduction. These adjustments are canceled permanently by the bill. Also, the adjustments in the basic benefit level (the "thrifty food plan") and the limit on the value of vehicles that households may own will both be curtailed. States will not remove the cap on the excess shelter deduction on January 1, 1997 as previously scheduled. Instead, they will increase the cap from \$247 to \$250 on that date; then it will remain frozen at \$250 for 21 months.

Time Limit on Benefits for Unemployed Recipients

The bill imposes a new three-month time limit within any 36-month period on certain unemployed food stamp recipients between the ages of 18 and 50 who are not caring for a dependent child. (Under some circumstances a recipient could qualify for one additional three-month spell of benefits). The time limit goes into effect once a recipient has received notice of it, but no later than three months after the date of enactment. Therefore, states in effect have three months from the date of enactment to provide notice. Thus, if the bill is signed on September 1, 1996, states could notify food stamp recipients affected by this provision at any time between September 1 and December 1, 1996 that they

²⁴ See footnote 22 for a description of the groups of legal immigrants exempt from these limits on food stamp eligibility.

²⁵ Note that similar immigrant eligibility rules also apply to the SSI program. And, many of the people who lose SSI as a result of these rules also may lose their Medicaid coverage as well. Current SSI recipients must be sent notice of the new law by March 31, 1997. The Social Security Administration then must hold individual redetermination interviews with each affected recipient. Those found ineligible must be terminated the month following the finding.

are subject to the new time limit. Once notification is provided, the clock starts to run and aid is limited to three months in any 36-month period.²⁶

At any time after the date of enactment, states can request waivers from this provision for areas in which unemployment rates are over 10 percent or other areas in which there are insufficient jobs available for this population. The lack of sufficient jobs can be measured in numerous ways from a range of available data or from the experience of a state agency in assessing conditions in local communities.

State Option to "Simplify" Rules

The bill gives the states an option to implement a "simplified food stamp program" under which similar rules on matters such as calculating income are used for both welfare and food stamps. The simplified food stamp program can be applied to households "in which all members receive assistance under a State program funded under part A of title IV of the Social Security Act," and, if USDA approves, to households in which some but not all members receive such aid. Since both AFDC and TANF exist under subtitle IV-A of the Social Security Act, the simplified food stamp program can be applied to both; a state need not have implemented TANF before opting into the simplified food stamp program.

On the other hand, since the simplified food stamp program allows states to conform food stamp rules with welfare rules, states planning significant changes in those rules when they move from AFDC to TANF will probably prefer to wait to implement the simplified food stamp program until they have made the transition to TANF. There is no limit on when a state can opt to apply simplified rules from AFDC or TANF.

²⁶ If a person subject to this provision has returned to work for at least a month during which he or she averaged 20 hours per week, after using up the three months of benefits and then loses the work, the person may return to the program for an additional three months out of the 36-month period. This exception, however, may be used only once by an individual during any 36-month period.

Table 1: Recent Trends in States' Caseloads and Changes in Caseload Since the Year(s) That Will be Used to Determine Block Grant Allocations

	Average AFDC Caseload in Recent Years (In thousands)				Base year(s) used to determine a state's block grant allocation	Average AFDC caseload during the first 8 months of FY96	Change between base year(s) and the first 8 months of FY96
	FY92	FY93	FY94	FY95			
Alabama	50,631	51,559	50,340	46,030	1994	43,003	-14.58%
Alaska	10,808	12,129	12,759	12,426	1994	12,192	-4.44%
Arizona	63,598	69,997	71,984	69,609	1995	64,140	-7.86%
Arkansas	26,769	26,565	26,014	24,296	92-94 avg.	22,966	-13.17%
California	806,086	859,284	908,999	919,471	1995	902,500	-1.85%
Colorado	42,081	42,543	41,614	38,557	1995	36,047	-6.51%
Connecticut	55,500	57,315	59,201	60,985	1994	58,535	-1.13%
Delaware	10,661	11,395	11,460	10,775	1995	10,360	-3.86%
Dist. of Col.	22,566	24,784	27,117	26,789	1994	25,907	-4.46%
Florida	221,205	254,006	247,087	230,807	1994	217,302	-12.05%
Georgia	135,972	141,279	141,451	139,135	1995	133,183	-4.28%
Hawaii	16,530	18,339	20,420	21,674	1995	21,983	1.43%
Idaho	7,335	7,938	8,676	9,071	1995	9,236	1.82%
Illinois	228,625	231,262	240,319	236,205	1995	226,376	-4.16%
Indiana	69,134	73,013	73,803	65,618	1994	53,592	-27.39%
Iowa	37,086	36,672	39,555	36,483	1994	33,378	-15.62%
Kansas	28,741	30,179	30,102	28,232	1994	25,789	-14.33%
Kentucky	83,133	82,799	79,840	75,384	92-94 avg.	71,463	-12.77%
Louisiana	92,200	90,019	86,915	79,825	1994	71,960	-17.21%
Maine	23,920	23,854	22,934	21,694	92-94 avg.	20,588	-12.65%
Maryland	79,807	80,199	80,123	80,383	1995	65,247	-18.83%
Massachusetts	111,448	114,441	111,783	100,852	1994	87,988	-21.29%
Michigan	225,609	229,585	223,950	201,696	92-94 avg.	181,190	-19.96%
Minnesota	63,656	64,145	62,979	57,061	1994	55,731	-11.51%
Mississippi	60,810	60,079	56,785	52,528	92-94 avg.	48,497	-18.11%
Missouri	85,176	89,906	92,110	89,299	1994	83,915	-8.90%
Montana	10,909	11,738	11,908	11,508	1995	11,111	-3.45%
Nebraska	16,551	16,746	15,934	14,828	1995	14,208	-4.18%
Nevada	11,867	13,006	14,166	15,708	1995	15,259	-2.86%
New Hampshire	10,500	11,021	11,475	10,800	1994	9,725	-15.25%
New Jersey	125,847	125,930	122,427	118,883	1994	113,613	-7.20%
New Mexico	28,764	31,279	33,633	34,444	1995	34,102	-0.99%
New York	397,172	432,788	454,952	456,929	1995	437,645	-4.22%
North Carolina	121,427	130,736	131,220	125,503	1995	115,186	-8.22%
North Dakota	6,394	6,494	5,877	5,215	1994	4,942	-15.90%
Ohio	264,271	257,903	250,208	228,171	1994	209,066	-16.44%
Oklahoma	46,837	48,483	46,971	44,790	92-94 avg.	40,110	-15.44%
Oregon	41,460	42,591	42,135	39,264	1995	35,005	-10.85%
Pennsylvania	200,699	205,435	210,155	204,771	1994	192,743	-8.29%
Rhode Island	21,289	22,191	22,654	22,194	1995	21,226	-4.36%
South Carolina	49,710	53,314	51,925	48,981	92-94 avg.	46,429	-10.11%
South Dakota	7,223	7,203	6,926	6,286	1994	6,071	-12.34%
Tennessee	95,179	107,865	110,766	104,009	1994	93,099	-15.95%
Texas	265,819	278,657	283,744	274,505	1995	260,548	-5.08%
Utah	17,882	18,443	17,801	16,648	1995	15,015	-9.81%
Vermont	10,047	10,009	9,883	9,648	1995	9,158	-5.07%
Virginia	70,677	73,650	74,818	72,147	1994	66,331	-11.34%
Washington	96,407	101,310	102,952	101,949	1994	99,418	-3.43%
West Virginia	40,469	41,383	40,729	38,404	1994	36,448	-10.51%
Wisconsin	81,680	79,989	77,207	72,366	92-94 avg.	63,798	-19.88%
Wyoming	6,625	6,509	5,740	5,200	92-94 avg.	4,892	-22.23%
TOTAL	4,576,015	4,790,078	4,860,846	4,702,065		4,433,073	-10.96%

Note: CBPP estimated the year(s) on which block grant allocations will be based using data from the Department of Health and Human Services and block grant allocation figures prepared by the Congressional Research Service. See Falk, "Welfare Reform: Estimated State Allocations Under the Proposed Block Grant for Temporary Assistance for Needy Families," Congressional Research Service, July 30, 1996. Caseload data are from the Department of Health and Human Service; figures for FY96 are preliminary.

Key Implementation and Enforcement Dates in the New Welfare Law

Provision	Effective Date	Enforcement Mechanism	Comments
Temporary Assistance to Needy Families ("TANF") Provisions — Financing			
Block Grant Allocations	Fiscal Year 1997 (begins October 1, 1996)	N/A	Based on federal welfare spending in the state in FY94, FY95 or the average of FY92 - FY94. States can receive no more than their block grant allocations during FY97, but they may receive less depending on when they file their new state plans.
Contingency Fund	Fiscal Year 1997	N/A	Limited supplemental funds for states experiencing higher costs due to caseload increases or rises in unemployment. States can access only if they maintain state spending at 100% of historical levels.
Supplemental Grants	Fiscal Year 1998	N/A	Limited supplemental funds for states that experience rapid population growth and/or have historically spent relatively little on AFDC.
Grants to High Performance States	Fiscal Year 1999	N/A	Limited supplemental funds for states deemed by the Secretary of HHS to run high quality programs. FY99 grant based on performance during FY98.
Out-of-Wedlock Birth Reduction Grants	Fiscal Year 1999	N/A	Limited supplemental funds for the five states with the largest reductions in their "illegitimacy ratios".

Provision	Effective Date	Enforcement Mechanism	Comments
TANF and Related Medicaid Provisions — Major New Program Requirements**			
State must file new state plan	No later than July 1, 1997	No federal block grant funds will be paid to a state in the absence of a state plan	Must include a description of the state program(s) funded with TANF block grant funds and other certifications. Local governments and "private sector" organizations must be allowed 45 days for comment.
60-month time limit	Months begin to count toward the federal time limit on the date on which a state submits its new plan July 1, 1997 at the latest	Enforced with a specific financial penalty	States cannot use federal TANF funds to provide assistance to families with an adult who has received assistance for 60 months over their lifetime. Up to 20 percent of a state's caseload may be exempt, and state funds can be used to provide aid beyond the 60-month limit.
Work participation requirements	Date on which a state submits its new plan July 1, 1997 at the latest	Enforced with a specific financial penalty Enforcement delayed at least six months*	States must meet specific targets for the portion of their caseloads that must be in work activities. Participation rates increase over time.
Work rule exemption for single-parents who cannot find child care	Date on which a state submits its new plan July 1, 1997 at the latest	Enforced with a specific financial penalty	When applying work requirements, states cannot reduce or deny benefits to single-parents who cannot find child care if they have a child under age six.
Child support sanctions	Date on which a state submits its new plan July 1, 1997 at the latest	Enforced with a specific financial penalty Enforcement delayed at least six months*	States must impose harsher sanctions than allowed under current law for failure to cooperate fully with child support requirements.

Provision	Effective Date	Enforcement Mechanism	Comments
Living arrangement requirements for minor parents	Date on which a state submits its new plan July 1, 1997 at the latest	No specific penalty for non-compliance	States cannot use federal block grant funds to aid unmarried teen parents who are not living at home or under approved adult supervision.
School requirements for minor parents	Date on which a state submits its new plan July 1, 1997 at the latest	No specific penalty for non-compliance	States cannot use federal block grant funds to aid unmarried teen parents who are not attending high school or an alternative educational program.
Assessments	Date on which a state submits its new plan July 1, 1997 at the latest	No specific penalty for non-compliance	States must make an initial assessment of the skills, work experience, and employability of most TANF recipients.
Current standards continue for purposes of determining Medicaid eligibility	Date on which a state submits its new plan July 1, 1997 at the latest	Enforced under Medicaid rules	Current AFDC income and asset standards and "deprivation" rules are carried over to the Medicaid program to assure that children and parents may qualify for Medicaid coverage without regard to welfare changes. The link between welfare and Medicaid eligibility is largely severed.
Limits on providing Medicaid and aid under TANF to legal immigrants	Date of enactment	Specific financial penalty for states that fail to participate in an income and eligibility verification system which gathers data on citizenship under AFDC or TANF Medicaid limits enforced under Medicaid rules	Most legal immigrants who enter the country after the date of enactment are ineligible for aid under the block grant and for Medicaid for five years from date of entry. States have the option of granting or denying aid under TANF and Medicaid to most legal immigrants who are already in the country.

Provision	Effective Date	Enforcement Mechanism	Comments
Elimination of federal entitlement under the Social Security Act	October 1, 1996 or earlier in a state that enters the new system before this date	States may continue to treat their program(s) funded under TANF as entitlements, but their federal block grant allocations remain capped	Entitlement to AFDC under the Parts A and F of Title IV-A of the Social Security Act is terminated. Entitlement may continue under the state plan or state law. States have the option to guarantee coverage to all individuals meeting their TANF eligibility criteria.
Major Food Stamp Provisions			
Elimination of eligibility for legal immigrants not currently receiving food stamps	Date of enactment	Enforced under current food stamp rules***	Most legal immigrants who are not receiving food stamps on the date of enactment are ineligible for benefits. See text for a list of exempt groups of legal immigrants.
Termination of food stamps for legal immigrants currently receiving benefits	At next scheduled recertification, but in no event later than one year after enactment	Enforced under current food stamp rules***	Most legal immigrants who are currently receiving food stamps must be terminated from the program. See text for a list of exempt groups of legal immigrants.
Ending selected income exclusions	Date of enactment	Enforced under current food stamp rules***	State energy assistance, vendor payments for homeless households, and the earnings of older high school students are no longer excluded from the definition of income.
Increasing penalties for violating work rules in food stamps and other programs	Date of enactment	Enforced under current food stamp rules***	States must impose harsher penalties than allowed under current law on people who violate various food stamp work rules as well as rules in other programs.
Pro-rating food stamp benefits for most households after brief gaps in participation	Date of enactment	Enforced under current food stamp rules***	States must implement pro-rating of food stamp benefits for households reapplying after having been off of the program for periods of less than one month.

Provision	Effective Date	Enforcement Mechanism	Comments
Reducing benefits through formula changes at the time of October 1, 1996 adjustments	October 1, 1996	Enforced under current food stamp rules***	Previously scheduled increases in the standard deduction and the homeless shelter allowance will not be made. Adjustments to the maximum benefit level and the vehicle resource limit will be curtailed.
Continuing the cap on the excess shelter deduction	January 1, 1997	Enforced under current food stamp rules***	Instead of ending the cap on excess shelter deductions (as would have occurred in the absence of the new law), states must increase the cap by \$3, to \$250.
Three-month time limit for childless, unemployed adults ages 18 - 50	The time limit clock begins to run as soon as recipients are notified; notification must be provided within three months of the date of enactment.	Enforced under current food stamp rules***	Unemployed adults between the ages of 18 and 50 who are not caring for children in most cases can receive food stamps for no more than three months during any 36-month period unless the state requests that this limit be waived. Waivers can be requested immediately.

*States will be given until July 1, 1997 or until six months after they submit their new state plans, whichever occurs later, before they will be subject to financial penalties for non-compliance with these provisions.

** States that choose to follow an AFDC waiver that was submitted and approved prior to the enactment date do not have to comply with provisions in the law that are inconsistent with their waiver(s). States whose waivers are submitted prior to the enactment date and approved after that date but before July 1, 1997, must, however, comply with the work requirements in the new law.

***The food stamp quality control (QC) system does not penalize mistakes made in the first 60 days following USDA's issuance of an implementing memorandum.

~~WR Emerson~~
MOMENTOS - WR

WHEN BAD THINGS HAPPEN TO GOOD POLICIES

WELFARE REFORM AS I KNEW IT

BY DAVID T. ELLWOOD

Senator Daniel Patrick Moynihan, a friend of some years, was the first to sound the warning. When I met with him shortly after arriving in Washington in February of 1993, he said, "So you've come to do welfare reform. . . . I'll look forward to reading your book about why it failed this time." Well, Senator, consider this the first installment.

In May 1994, a Times-Mirror poll asked the following question:

One proposal currently being discussed to reform welfare would require all able-bodied welfare recipients, including women with pre-school children, to go to school for two years to learn a skill while receiving benefits. After that, they would be required to either get a job or take a job the government would give them and their welfare benefits would be discontinued. Child care would be provided for the children of working mothers. Do you favor or oppose this proposal?

Ninety-one percent said they favored such an approach. The Times-Mirror question captured very closely the basics of the Clinton welfare reform plan. Yet in spite of such apparent overwhelming public support, nothing like this plan will become law before the 1996 election. Indeed, it may never happen at the federal level, which raises an obvious question: Why did the Clinton welfare reform plan fail? And what does this failure tell us about the Clinton presidency, congressional politics, and democratic institutions more broadly? As an assistant secretary of Health and Human Services (HHS), I was closely involved in the development of welfare reform. Along with Mary Jo Bane, also an assistant secretary, and Bruce Reed, a White House adviser, I cochaired President Clinton's working group on welfare reform and was one of the people who drafted the plan. I had devoted my life to studying poverty and welfare, and was flattered during the 1992 campaign when Bill Clinton had cited my work as an influence on his ideas. When the offer came for me to go to Washington and help to craft real welfare reform, I was thrilled.

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THE CLINTON REFORM STRATEGY

Those of us who put together the policy started with a particular analysis of poverty and welfare. First, low-income working families get a particularly bad deal today. Many workers, especially those with less than a college degree, have seen their wages drop, and they often receive little or no health coverage and little help with child care or other costs. The deteriorating living standards of working families pose an enormous challenge if we genuinely want people to move off welfare and be able to live decently.

Second, the welfare system must be transformed. Everyone seems to agree that welfare should be "a hand up, not a handout." Yet welfare administration is mostly about eligibility and benefit determination—check writing. The welfare system sends the message in a myriad of ways that traditional employment is foolish. If we are serious about work and opportunity, we need to change the whole culture of welfare offices. From the moment someone walks through the door, every signal ought to be that work is the ultimate goal and expectation.

Next, even when parents live apart, both of them ought to have the responsibility and opportunity to nurture and provide for their children. Based on surveys of absent fathers, Elaine Sorenson of the Urban Institute estimates that more than \$48 billion for children could be generated every year by a system of child support that found every absent parent and collected money according to the simple formula now in use in Wisconsin. Current collections are just \$14 billion.

Finally, we need to reduce the large number of children born to unwed mothers, especially teen mothers. Child poverty will always be a problem if we fail to signal to prospective parents that they should not have children until they are prepared to nurture and provide for them.

By confronting these problems and designing a system oriented toward work and responsibility, we believed we could dramatically improve the



well-being of children. The four key elements of the Clinton strategy reflected this analysis.

Make work pay. The strategy sought to support the efforts of all working families by dramatically expanding the earned income tax credit (EITC), ensuring universal health care coverage, and helping with child care costs of working families. The higher EITC and health coverage would amount to a substantial pay raise for millions of low-wage workers.

Two years and you work. The Clinton policy sought to transform the welfare system from one focused on eligibility and check writing to one designed to move people quickly to work. From their first contact with welfare, people would be expected to seek work or train for it. After two years, most healthy adults would be required to work, preferably in a regular private job, but if necessary in a subsidized private, nonprofit, or public-sector job.

Child support enforcement. The plan sought to improve child support enforcement through a series of measures: promoting the establishment of paternity at birth in the hospital, comparing reports on new hires with a new national registry of people ordered to pay child support, automatic wage withholding, improved interstate enforcement procedures, and even work requirements for absent parents who refuse to pay. The bill also included measures to improve opportunities for noncustodial parents to do more to nurture their children.

Fight teen pregnancy. The program offered grants to up to 1,000 high-risk schools that proposed innovative teen pregnancy initiatives, a nationwide clearinghouse of information on teen pregnancy, and a few intensive demonstration projects. The policy would also hold parents accountable for their children: Teen parents who were living with their child would be expected to stay in school, stay at home (or if the home was unsafe, in some other supervised setting), and once they completed school, go to work to support their child. Absent teen fathers would be held accountable by the child support system.

More has been accomplished in this agenda than many people realize. In particular, a large expansion of the EITC passed with Clinton's first budget, so that working families need not be poor. The story on child support enforcement is also positive. Virtually all of the important child support enforcement measures included in the administration's welfare plan are also included in the welfare proposals before Congress. If the EITC expansion survives and the child support measures pass, children will be much better off. And many states are seeking to adopt work-oriented welfare reforms by applying for waivers, a legal provision that allows the secretary of HHS to waive certain federal rules for states demonstrating alternative policies.

But much has not been accomplished. Health reform fell to defeat, and today there is no chance that this Congress will pass anything like the "two years and you work" elements of our plan. So what happened to the parts of the plan most directly related to changing the welfare system?

A FUNDAMENTAL FLAW?

To many people, the problem with "two years and you work" was what to do with people who reached two years without finding a job. There were good reasons to be concerned: More than two-thirds of recipients on the rolls at any one time have already been on welfare for more than two years (cumulated over one or multiple periods of eligibility). Some of these people are disabled; others are already working at least part time. Many would find jobs if they had the right set of supports and received a clear message that they had to work, but the government would still need to create a significant number of jobs.

Putting welfare recipients to work in subsidized

jobs naturally raises anxieties among government workers that they might be displaced. In our first meeting, the president of the American Federation of State, County, and Municipal Employees, Jerry McEntee, said something like, "Near as I can tell you want to put more welfare recipients to work in public-service jobs than I have members." He found that "mildly" threatening.

Moving welfare recipients in large numbers from welfare to work had never been tried, nor had large-scale creation of subsidized jobs for welfare recipients. The closest cousin was the Carter administration's program of public-service jobs under the Comprehensive Employment and Training Act (CETA), which continues to have a bad odor in both Democratic and Republican circles.

Compounding these problems was the related issue of cost. Providing child care, training, and work is more expensive in the short run than simply writing checks—unless people move off welfare quickly. Senator Moynihan was emphatic that finding the money we needed was next to impossible.

Fortunately, poll data suggested a "two years and you work" plan would be popular with the public even if it required government jobs and additional money. For example, a November 1993 poll for *U.S. News* asked Americans whether they would favor a plan to "require job training for those on welfare and after 2 years require them to work." Ninety-three percent said yes. Even in a modified question that asked about requiring welfare recipients to work in "government jobs" if necessary, 82 percent favored the plan. An overwhelming majority expected reform to cost money in the short run, and they favored it nonetheless.

Still, poll data often can mislead, and the jobs and cost issue needed to be confronted. The Clinton welfare reform plan focused on ways to place people first in unsubsidized jobs, then in subsidized private and nonprofit jobs rather than in government or workfare jobs. It offered strong protections against displacement to public employee unions. And it started with only a third of welfare cases and gradually phased in the rest. Administrators and policymakers would thus get time to learn what worked and what didn't, and it would keep the cost down.

The slow phase-in did carry some political costs. Some critics cited it as evidence that we were not serious about work or time limits—a particularly galling criticism because in my view, the best evi-

dence of our seriousness about reform is that we phased it in at a doable rate, rather than promising we could simply create a work-based system overnight. Starting with a small group of recipients and gradually expanding has been the hallmark of Republican governors who are credited with major welfare reforms.

Initially, the signs were positive in Congress: The bill introduced by House Republicans in the fall of 1993—six months before ours arrived—was unambiguously a “two years and you work” measure. Virtually every Republican was a cosponsor. Ironically, this initial Republican proposal would have created far more public jobs than we did and used the private sector far less. Moreover, the bill would have spent more on job creation and child care. Conservative Democrats developed their own plan, similar to Clinton’s, but with a faster phase-in and more money for work slots and child care.

Still, no one wanted to raise taxes to finance welfare reform. Thus, all the bills made cuts in other programs to pay for the expansions in work and child care. Finding those cuts proved one of our most difficult tasks. Indeed, much of the struggle we faced within the administration and with Congress was the result of opposition not to the welfare reforms provisions, but to the other cuts used to finance welfare reform. Eventually, though, we found a financing package that most people could accept.

This history is rife with ironies: Since the Clinton bill was introduced in the summer of 1994, evaluations of state experiments have shown that work-oriented reforms in states with high benefits can push enough people to leave welfare quickly, or not apply at all, that welfare savings exceed job training and child care costs. Moreover, the kinds of cuts in social programs now being proposed even by Democrats are vastly greater than the modest reductions we proposed to finance welfare reform.

Another criticism of the Clinton bill comes from conservatives who argue that its biggest weakness was its failure to address out-of-wedlock childbearing. In their view, the welfare system has caused the dramatic changes in family structure of the past 30 years, and thus welfare reform ought to be about “illegitimacy,” not work. It wasn’t only the Clinton plan that upset them; these ultra conservatives also roundly attacked the 1993 House Republican bill for failing to attempt to reduce out-of-wedlock childbearing through massive cuts in benefits,

especially for families with “illegitimate” children.

Long before almost anyone else talked about these issues, Senator Moynihan had warned about family changes. He now points out that by his projections, half of all children will be born out of wedlock by early in the next century. Yet he is especially critical of plans to cut benefits to “save” our children. No credible studies suggest that anything more than a tiny part of the changes in family structure can be traced to welfare benefits. Recently, New Jersey’s denial of additional benefits to mothers on welfare who have additional children seems to have had no impact on out-of-wedlock births, according to data from a carefully controlled experiment.

The truth is that no available policies promise more than a very modest reduction in out-of-wedlock births and family breakups. That is why the Clinton reform plan focused on the area where the problem seemed most manageable—teen pregnancy—and included money for new demonstration projects and information sharing.

A final criticism that has emerged since the 1994 election is that federal leadership in welfare reform is a mistake. Most recent innovation has come from the states and, in principle, the states can design programs that make the most sense for their economy and population. Still, history is filled with examples of states choosing to ignore poor families or ignoring racial minorities, regions, or types of families. Moreover, if one state’s rules differ markedly from those of another, there will be an incentive for migration. It is a lot easier to move poor people from welfare to the state border than from welfare to work. Needs and resources also differ widely across states. The states with the smallest tax base are usually the states with the greatest proportion of poor children and families. Fearful of becoming “welfare magnets,” some states may cut benefits and impose more punitive measures than they would otherwise prefer.

Thus, we went with national rules regarding

No credible studies suggest that anything more than a tiny part of the changes in family structure can be traced to welfare benefits.

time limits and work. Beyond that states would have enormous flexibility for innovation. They could design virtually any welfare-to-work plan and subsidized work program that they wanted. But the basic "two years and you work" architecture would be national, and participation would be tracked nationally.

Looking back, I remain convinced the Clinton welfare reform plan made sense both practically and politically. The basic approach enjoyed strong public support, and while the dangers in steering legislation through Congress were real, they were not insurmountable. I am far less convinced, however, that the administration made the right strategic choices.

WAS THE STRATEGY BUNGLED?

Conventional wisdom in Washington these days is summarized aptly by the title of a cover story in the *New Republic* shortly after the 1994 elections. "They Blew It," the article proclaimed, arguing that the administration basically got the policy right, but that it introduced welfare reform far too late (in particular, after health reform) and with far too little focused effort.

There was a moment early in the administration that might be said to have determined the fate of welfare reform. Until just days before it was sent to the printer, the first Clinton budget included several billion dollars for its future welfare reform proposal. Removing that money had almost no noticeable effect on the \$1.4 trillion budget, but it greatly affected the timing and thus the fate of welfare reform. If that line had remained in the budget, the administration would have been forced to submit its welfare reform proposal by late spring 1993 rather than the summer of 1994. With the money taken care of, we could have avoided a search for dollars that ultimately consumed much of our energy.

The last-minute budgetary shift proved to be symptomatic of a deeper problem. Only a tiny handful of people in the White House really cared deeply about the issue. The president clearly did, along with a few others. A small group inside the White House and at HHS were left to develop the plan largely on our own. This seemed a blessing—until we needed to find money for welfare reform,

or to get on the crowded legislative agenda, or to gain a presidential public appearance.

The decision to move health reform first was plausible at the time but in the end proved to be a mistake. The submission of the welfare reform legislation, now called the Work and Responsibility Act (WRA), was delayed until the summer of 1994

and then got relatively little fanfare. As health reform faltered and the crime bill struggled in Congress in August and September 1994, the administration did relatively little to push for passage of welfare reform before the elections. I doubt most Americans are even aware that we introduced a welfare reform bill.

Another strategic failing was rhetorical. Governing requires a powerful political message as well as good policy. Consider the phrase, "If you work, you shouldn't

be poor," which Clinton used during the campaign. That simple but powerful concept compelled action when he became president. When I first arrived in Washington, advocates pointed out that in spite of the president's promise, the earned income tax credit that was about to be introduced in the budget was too low to raise the working poor out of poverty. As a result, we added more than \$1 billion to the EITC in an afternoon. It was the last easy billion I found in Washington.

The president's famous promise to "end welfare as we know it" was the most potent sound bite on welfare. It came up so often that we referred to it as EWAKI. Yet while implying that welfare is a massive failure and conveying seriousness of purpose about reform, EWAKI only vaguely suggests that we can replace the current system with something better. Even more destructive was the phrase "two years and you're off." Our pollsters told us that "two" was the single most memorable number of the 1992 campaign. The problem, of course, is that "two years and you're off" seems to imply no help at all after two years. That is never what was intended. Nonetheless, this phrase gave real impetus to plans now before Congress and in the states that call for time limits followed by nothing—no welfare, no jobs, no support—even if the person is willing to work and genuinely cannot find any job. In my view, these measures are appalling.

A much better phrase, which more accurately

I doubt most Americans are even aware that we introduced a welfare reform bill.

conveys the Clinton welfare plan, was "two years and you work." Its virtue is that it conveys a promise (employment) as well as a threat. Polls and focus groups suggest "two years and you work" would have been just as popular as "two years and you're off," perhaps even more so. In the *U.S. News* poll cited earlier, when people were asked whether they favored a plan to limit welfare benefits to two years, not allowing beneficiaries back on welfare ever, only 22 percent were in favor.

Still, to attribute the collapse of positive welfare reform to the president's rhetoric would miss the larger reality of public opinion. Republican Governors Tommy Thomson and John Engler got enormous political mileage out of welfare reform in two relatively liberal states, Wisconsin and Michigan, long before Clinton ran for president.

DERAILED ON THE HILL

Although the WRA came to Congress very late, there was a surprising amount of support for it when people finally saw the details. The Democratic caucuses in both chambers were far more supportive than many in the administration had anticipated, and even Republicans started out on a positive note. Senator Moynihan, who chaired the Senate Finance Committee, and Representative Sam Gibbons, who chaired the House Ways and Means Committee, were both supportive, and Gibbons started pushing hard for immediate action.

But the enthusiasm was not uniform. Several members of the House Ways and Means Subcommittee on Human Resources, where the legislation would originate, could barely disguise their frustration. We had satisfied organized labor; most liberal advocacy groups were not adamantly opposed to our bill, and some supported it. Nonetheless, these congressmen were convinced that any action on welfare reform would inevitably lead to a disastrously punitive bill, especially in an election year. Some suspected that the Clinton administration wanted welfare reform for the wrong reasons—that it was "boob bait for Bubbas," a fear Senator Moynihan had expressed months before the administration produced a bill. And though we had met with them repeatedly, they felt that in drafting the legislation, we did not pay attention to their concerns. Key subcommittee members argued vehemently that it made more sense to consider welfare reform in 1995, when election pressures would be reduced. They felt we

had too little time left in 1994 to seriously consider the bill. And the administration chose not to push hard for reform in a summer when the crime and health bills were at the top of the agenda.

To many of us in the administration, some of the Democrats seemed unwilling to make serious changes in welfare and were out of touch with the public. They were extremely skeptical of time limits, even if followed by work. One member repeatedly asked me about how we would guarantee protection of people who refused to work. Meanwhile, I was fighting within the administration to assure work slots for people who were willing to work but unable to find any job. But whatever the reasons, action was put off in 1994, with the expectation that we would resume after the 1994 elections.

In spite of the strategic and policy problems we faced, my view going into the November elections was that we were eventually going to get good legislation. I expected the bill to move left in subcommittee and then right on the floor of the House. In the Senate, things seemed to be in reasonably good shape, though many battles remained to be fought.

Then came November 1994.

THE REPUBLICAN TAKEOVER

After the election, welfare reform went on a remarkable political journey. It's not just that Republican proposals replaced Democratic bills on the congressional agenda. Few people realize how radically the Republican welfare plans have changed. The bill that emerged from Congress late last year bore only a passing resemblance to the original Contract with America. Far from being a coherent expression of a more conservative philosophy, the legislation was an uneasy compromise between competing positions advanced by various factions in the Republican Party.

First came the work-oriented reformers. They believe people should be expected to work or in some cases to train for jobs, even if that requires more money. Next, the social policy critics argued that misguided government support is the root of social evil. For them, less is better, and all aid should come with the strictest possible rules regarding behavior from work to school attendance. The devolvers emerged as a third group. They have been led by Republican governors who want Washington to limit its role to providing resources and to defer to the states on the substance of welfare policy. Finally, there were the

budget cutters, who do not really care much about welfare policy, one way or another. Their top priority is to cut the budget, and they will go as far to cut social programs as the political realities allow.

These positions are incompatible, but that has not prevented Republicans from embracing them. Most Republican members of Congress, like most Democrats, have little knowledge about welfare and much dislike of it. Thus, no gravitational force of shared conviction prevents the policy from oscillating from one position to another as influence shifts among coteries of activists. Work-oriented reformers created the 1993 House Republican bill—and all of the Republicans signed on. In the Contract with America, the ideological policy critics withdrew money for jobs and child care and added strict work rules, cold-turkey time limits, and harsh sanctions for unmarried parents and their children. Again, virtually all House Republicans initially signed on.

Then Republican governors rebelled at such "conservative micro management," complaining that they were left with a nightmare: less money and less flexibility to make their own policies. Under their influence, the chairman's mark—the bill considered and marked up in the key House subcommittee—was almost a pure block grant, with feeble and meaningless work requirements. Democrats pounced on the bill as "weak on work." As a result, the work requirements were strengthened to the point of being almost unachievable. Yet no more money was added to enable states to carry them out; indeed, the dollars kept shrinking. The final House bill actually cut further than the Contract with America did. The Senate softened things up somewhat. It added money for child care, required states to maintain most of their current spending, eliminated some of the worst restrictions such as those on benefits for legal immigrants, and adopted more practical work requirements. But in adopting the block grant approach, the Senate also eliminated the national entitlement for cash assistance, severely reduced federal spending, and failed to make the work requirements feasible.

Though I was long since out of office, I was deeply disappointed when the president implicitly endorsed the Senate measure. It was not a good bill and would have significantly increased child poverty. In January, fortunately, the president vetoed the bill that emerged from House and Senate conference.

As I write, there is yet another flurry of activity surrounding welfare. Given the pending bills, my hope is that nothing passes in 1996. If what emerges is close to the previous conference bill, I fear for our children. Few people realize just how small the block grants are and how much they vary by state. Arkansas will have less than \$600 per poor child per year in federal dollars for cash support, work and training, and child care! That is less than \$12 per week. But somehow, the state is going to place tens of thousands of mothers in jobs. In contrast, many of the wealthier northeastern states will get more than \$2,000 per poor child per year. That still amounts to just \$40 per week per poor child. Simultaneously, states will have to cope with dramatic cuts in support for disabled children, immigrants, and Medicaid, not to mention the impact of any recession.

States cannot and will not do the impossible, but they will do the possible. The possible is to cut people off, to offer less service, and to provide less child care for the working poor not on welfare. Because the block grant will reduce federally required state spending and eliminate federal laws regarding eligibility, some states will find it much easier to cut people off than to move them to work. And so the race to the bottom will begin. Even governors and legislators who want to focus on work-based reform may find it too costly if nearby states threaten to dump their poor by simply cutting benefits.

And what of the federal commitments? Who will defend cuts in the welfare block grant versus reductions in Medicare or farm programs or tax cuts? Will a block grant long endure with a funding formula yielding payments per poor child as wildly divergent across states as this one? Many of those on the right privately admit the real goal is to end federal spending on welfare entirely and that this is the first step on that slippery slope. That is certainly where I would predict we will end up.

LESSONS FOR NEXT TIME

As I reflect on the experience, I continue to believe that we came very close to success in spite of our many mistakes. If it had not been for the 1994 elections, we could have had thoughtful and progressive reform legislation. So maybe the outcome is simply idiosyncratic—bad timing. We got hit by a freight train, in part, of course, because our own train moved too sluggishly. And yet the failure

to achieve meaningful reform poses a larger challenge. Is there any way to avoid Senator Moynihan's implicit claim that welfare reformers are doomed to write their own obituaries?

While many people complain about welfare, most are poorly informed and uninterested in learning or hearing much more. The press will do little to illuminate the real policy alternatives. There will always be an inside-the-Beltway dialogue carried out in the press with the premier reporters. But few papers will cover the issue, and few people will read what they publish. Unless the issue is number one or two on the national agenda, the public will remain skeptical and alienated.

Worse yet, the issues of race and class lie just below the surface, occasionally producing ugly stereotypes, often clouding the political dialogue. Nowhere in domestic policy is the us-versus-them mentality worse. One can rail against the darker and faceless underclass, assigning blame and denying responsibility.

Many members of Congress are also poorly informed. The few who do care deeply enough to follow it day to day are more knowledgeable, but they also tend to have strong ideological views and gravitate toward a few choke positions on committees, where they can wield considerable power. That's why dramatic change is so difficult when power has been stably distributed for a long time. And that is why the policy changes can be so breathtakingly large when a new group comes into power.

After such a litany, one might be tempted to give up. And yet there remains a fundamental reality: Americans are afraid for their future and genuinely do want to help those who would help themselves. I believe the anger and the ignorance are not born primarily of selfishness or bigotry. The harshest critics of welfare are the recipients themselves. Rather, it comes from a sense that core American values are being undermined, not reinforced, by the welfare system.

So the fight for reform will go on. But to those who fight the next battle, let me offer a few words of advice. First, you need to make a fundamental strategy call: Do you go for a radical change with high political visibility or more modest changes and lesser attention? Dramatic changes can occur in only two

ways with a hot-button issue like welfare: a revolution where a new party seizes control or a high-profile effort that captures the imagination of the public. The latter probably demands intensive executive leadership or a major social movement.

We got hit by a freight train in part because our own train moved too sluggishly.

The alternative is quieter reform that requires settling for less dramatic changes and working in a bipartisan way. Bipartisanship is much harder to achieve on highly charged issues. But if the spotlight is elsewhere, quiet diplomacy can do a great deal. We are close to achieving a remarkable success on child support enforcement that is the result of intensive bipartisan effort. It has gotten almost no attention because it creates little controversy. Quiet

diplomacy, however, has a cost in boldness. In child support enforcement, we lost the most innovative and exciting new idea: demonstrations of an insured child support system that would have guaranteed custodial parents at least some child support money each month. The Family Support Act of 1988 falls somewhere in between these two strategies, but it too was a bipartisan effort that gathered relatively limited public attention.

Articulating your core values is critical. Social policy directly and indirectly sends some of society's most powerful messages about what we respect or condemn. In deciding on those values, you have to listen closely to what the public believes and expects. In my experience, even those who don't agree will hear you out if you are honest about your values.

Next, recognizing that the public will hear and comprehend only a limited set of messages, keep your ideas and message simple and clear. Political language often obscures more than it clarifies; rarely does it have real policy content. I'll take "make work pay" over "end welfare as we know it" any day.

Cultivate Congress and the press. It is so easy and tempting to see them as your natural enemy. Members of Congress have strong ideas of their own; the press often seems to want to simplify, exaggerate, and inflame. But they are the fundamental instruments of our democracy, and virtually all genuinely want to serve the public interest and believe they are doing so.

Finally, introduce your bill early and, if you want it to pass, stay out of the way of freight trains. □

Momentos -
WR

EXECUTIVE OFFICE OF THE PRESIDENT

20-Nov-1996 08:34am

TO: Franklin S. Reeder
TO: Nelson W. Cunningham

FROM: Jeremy D. Benami
Domestic Policy Council

CC: Bruce N. Reed
CC: Dorothy K. Craft

SUBJECT: welfare to work

Frank/Nelson: I apologize in advance for the tone of this email. I have re-read it and decided to send it anyhow. I am really beside myself over this. This is a good representation of what is wrong with government. Let's work together to solve this by Christmas so we can in fact feel good about working for government? Thanks.

Here's what I wrote:

I have to say that in over 12 years of working in government -- I honestly believe that this now ranks as the single most stupid decision I have run across.

And, believe me, I worked in New York City government for 8 years, which is a bureaucratic hellhole -- so I've seen some half-assed decisions.

Let me review the bidding. We currently allow American citizens who wish to volunteer their time to help out the President of the United States to commit 20-30 hours a week to work here. I know. We have several of them. Many of them receive Social Security, Disability, Veterans' benefits. In fact, I'd be willing to wager that all of them receive some form of government benefit check. That's how they can afford to work here. You don't enquire now what their source of income is.

How have we determined that if it happens to be a mother of working age who wants to volunteer here that we suddenly have to make this inquiry? It's not our business whether she is receiving welfare or whether she is volunteering here to get work skills so she can get a paid job.

The OPM decision and the silliness around the intern program are

simply stupid standard bureaucratic responses to doing something new. I can't get over that White House Counsel and Presidential staff are willing to roll over to this stupidity. It's wrong, it's bad policy, and I'll wager violates Equal Protection guarantees: denying one class of citizens the opportunity to do some work here because they get a welfare check.

Second, on the intern front, as I have reviewed for everyone involved, these folks are exactly like the high school, college and grad school interns we get here. Again, they just happen to be receiving a welfare check. We currently have interns here who receive welfare. Luckily for them, they've only told me and not the intern office, because we'd probably kick them out of the program.

I CANNOT BELIEVE THAT THERE IS NOT A WAY AFTER THREE MONTHS OF KICKING THIS AROUND FOR THE PRESIDENT OF THE UNITED STATES NOT TO DO HIS PART IN FINDING OPPORTUNITIES FOR PEOPLE LOOKING TO LEAVE WELFARE FOR WORK TO WORK HERE FOR A FEW MONTHS FOR WORK EXPERIENCE. LOCAL WELFARE TO WORK PROGRAMS ARE INTERESTED IN THE IDEA, THE PRESIDENT'S DOMESTIC POLICY ADVISERS LIKE THE IDEA, AND THE FOLKS INVOLVED ARE EXCITED ABOUT THE OPPORTUNITY.

Let me go further: if the inability of the White House to do this ever got out, imagine how it would play in the context of implementing the welfare bill: "If even the White House can't figure out how to use 3 of these folks, how is the country going to move 3 million of them into work."

I don't know what to do at this point. Perhaps when I leave the employment of this place, I will sue on behalf of these women who won't get the same opportunities as other citizens.

Frank: can we please review this decision? I will call you to discuss.

EXECUTIVE OFFICE OF THE PRESIDENT

19-Nov-1996 05:03pm

TO: BENAMI_J
FROM: Franklin S. Reeder
CC: CUNNINGHAM_N
SUBJECT: Welfare to work

Message Creation Date was at 19-NOV-1996 17:03:00

As you have probably have heard, OPM has opined that current law doe not permit employing unpaid volunteers except for certain student interns. Since welfare to work participants don't meet that criterion, we cannot employ them in OA as much as we would have liked to do so. We have also concluded that their use as White House volunteers is not an option at this time. I would encourage you to work with OPM to see if a way can be found to overcome their legal concerns about using welfare to work people in Title 5 agencies.